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BASS, BERRY & SIMS PLC

A PROFESSIONAL LIMITED LIABILITY COMPANY
ATTORNEYS AT LAW

T. G. PAPPAS
TEL: (615) 742-6242
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NASHVILLE, TENNESSEE 37238-0062
(615) 742-6200

REC'D TN
REGULATORY AUTH.

KNOXVILLE OFFICE:
1700 RIVERVIEW TOWER
KNOXVILLE, TN 37901-1509
(423) 521-6200

AUG 22 PM 3 52

August 22, 2000

OFFICE OF THE
EXECUTIVE SECRETARY

HAND DELIVERED

Mr. K. David Waddell
Executive Secretary
TENNESSEE REGULATORY AUTHORITY
460 James Robertson Parkway
Nashville, TN 37243-0505

RE: Extension of Water Purchase Agreement Between
Tennessee American Water Company and
Town of Signal Mountain

Dear Mr. Waddell:

Enclosed please find original and thirteen copies of an Extension of Water Purchase Agreement ("Special Contract") between Tennessee American Water Company ("Company") and the Town of Signal Mountain, Tennessee ("Town"), for approval of the Directors of the TRA pursuant to Rules 1220-4-1-07 Special Contracts and 1220-4-1-08 Resale of Water of the Rules of the Authority.

As you will notice, this is an Extension Agreement of the prior Agreement that was dated July 1, 1997 and approved by the Regulatory Authority at this regular conference on July 29, 1997. Order dated August 18, 1997, Docket No. 97-01305. The terms and conditions are the same as the prior contract and a copy of the original Agreement is attached to the Extension Agreement. Also attached hereto is a letter dated August 14, 2000 stating that the Board of Directors at Tennessee American have approved the transaction and a letter showing that the Town of Signal Mountain has approved and authorized execution of the Extension Agreement.

The approval of the Extension Agreement would allow the Company to continue furnishing water to the city of Signal Mountain for resale to its customers at the same non-discriminatory price and under the same conditions as it has in the past and it would benefit the town of Signal Mountain and its residents by providing a good, clean, dependable water supply at fair and affordable prices. The city of Signal Mountain has been purchasing water from Tennessee American Water Company for resale since it was incorporated more than 50 years ago.

If you have any questions concerning this matter, do not hesitate to call me or Mr. William F. L'Ecuyer, President of Tennessee American Water Company at 423-755-9307.

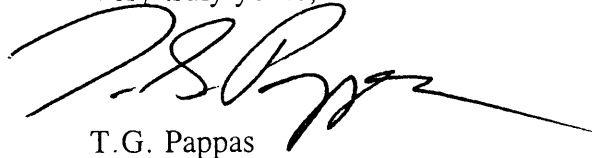
POSTED

Mr. K. David Waddell
August 22, 2000
Page -2-

Also enclosed please find our check in the amount of \$25.00 representing filing fee.

With kindest regards, I remain

Very truly yours,

A handwritten signature in black ink, appearing to read 'T.G. Pappas', with a long horizontal flourish extending to the right.

T.G. Pappas

2135300.1

Enclosures

cc: Mr. William F. L'Ecuyer
J. Richard Collier, Esq.
L. Vincent Williams, Esq.
Michael Horne, Esq.
Herb Miller, Esq.

EXTENSION OF WATER
PURCHASE AGREEMENT

REC'D TN
REGULATORY AUTH.

00 AUG 22 PM 3 5

OFFICE OF THE
EXECUTIVE SECRET

THIS EXTENSION OF WATER PURCHASE AGREEMENT, made effective as of
July 1, 2000, by and between:

Tennessee-American Water Company ("Tennessee-
American"), located at 1101
Broad Street, Post Office Box 6338, Chattanooga, Tennessee

And

Town of Signal Mountain ("Signal Mountain"), located at
1101 Ridgeway Avenue, Signal Mountain, Tennessee

WHEREAS, Signal Mountain and Tennessee-American have mutually agreed to extend the term of their Water Purchase Agreement dated July 1, 1997 ("Original Agreement") for an additional period of time under the same terms and conditions, except as herein specified.

NOW THEREFORE, in consideration of the mutual covenants and promises herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. All of the terms, conditions, privileges and obligations in the Original Agreement, except as specifically otherwise stated herein, are hereby extended for a term of three (3) years (or thirty-six [36] monthly billing periods) beginning September 1, 2000.
2. A copy of the Original Agreement is attached hereto and incorporated herein by reference.
3. Section X (2) of the Original Agreement is amended to provide that any notice to Tennessee-American be sent to the attention of the President of Tennessee-American.

4. This Extension of Water Purchase Agreement is subject to the approval by the Board of Directors of Tennessee-American and by the Tennessee Regulatory Authority ("TRA"). Signal Mountain agrees to take such action reasonably necessary to support Tennessee-American's application for approval from the TRA.

IN WITNESS WHEREOF, the parties have set forth their hands.

TOWN OF SIGNAL MOUNTAIN

By: 

Title:

MAYOR

Date:

6/15/00

TENNESSEE-AMERICAN WATER CO.

By: 

Title:

President

Date:

August 19, 2000

WATER PURCHASE AGREEMENT

THIS AGREEMENT, made this 1st day of July, 1997 by and between

Tennessee-American Water Company ("Tennessee-American"), located at 1101 Broad Street, Post Office Box 6338, Chattanooga, Tennessee

and

Town of Signal Mountain ("Signal Mountain"), located at 1100 Ridgeway Avenue, Signal Mountain, Tennessee

WHEREAS, Tennessee-American, a Tennessee corporation, is a public utility which owns and operates a water utility system in and around the City of Chattanooga, Tennessee including the contiguous Tennessee cities of Red Bank, East Ridge, Ridgeside, and Lookout Mountain, plus the cities of Rossville and Lookout Mountain, Georgia and areas in the Georgia counties of Dade, Walker and Catoosa; and

WHEREAS, Signal Mountain wishes to purchase all or substantially all of its water supply from Tennessee-American; and

WHEREAS, Tennessee-American currently supplies water to Signal Mountain and has the capability and facilities in place to provide all or substantially all of the water supply currently required by Signal Mountain; and

WHEREAS, Signal Mountain and Tennessee-American are desirous of establishing an Agreement for the purchase of water for a fixed period of time; and,

WHEREAS, the parties have reached an Agreement for the sale and purchase of water which they now desire to record in writing;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other

good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION I **SALE OF WATER**

Signal Mountain agrees to purchase a minimum of 273,750,000 gallons per year at \$.95 per 1,000 gallons.

On or before the tenth day after the end of each twelve months of this Agreement, Tennessee-American will review the usage of Signal Mountain during the prior twelve month period year. If Signal Mountain's usage during the prior twelve month period was 273,750,000 gallons or more, no additional charge will be made. Should Signal Mountain's usage be less than 273,750,000 gallons, that month's invoice will include a charge for the difference between the actual usage and 273,750,000 gallons priced at \$.95 per 1,000 gallons.

SECTION II **FLUORIDATION OF WATER SUPPLY**

The Company will fluoridate the water supplied to the Town of Signal Mountain, in accordance with the Tennessee Department of Environment and Conservation Rule 1200-5-1-.17 (20), which requires the maintenance of a monthly average concentration of fluoride between 0.9 mg/l and 1.3 mg/l, unless required to do otherwise by applicable state law or regulations.

SECTION III **OPERATIONAL REQUIREMENTS**

In order to minimize utilization of the peaking capacity of Tennessee-American, Signal Mountain will provide adequate storage to provide for its own maximum hour needs. Signal Mountain shall maintain a minimum of one day of water supply storage on their distribution system.

Tennessee-American will supply up to 2,500 gallons per minute to the existing metering location as described in Section IV hereof, at a pressure sufficient to fill the existing Signal Mountain Receiving tanks at the base of Signal Mountain. If Signal Mountain requests flow rates in excess of 2,500 g.p.m. at any time during the term of this Agreement, it will be required either to pay for the additional system improvements that are needed to meet such additional flow or to contract for water at a higher rate per 1,000 gallons of water to be determined by the Company.

SECTION IV **METERING**

Metering of the water sold under this Agreement shall be at the existing meter setting located at the Town of Signal Mountain's existing storage tanks at the base of Signal Mountain, just off of Signal Mountain Road and Suck Creek Road.

SECTION V **BILLING**

On or before the tenth day of each month, Tennessee-American will issue an invoice to Signal Mountain for Signal Mountain's metered usage during the prior month. Payment of such invoice will be made by Signal Mountain on or before eighteen days after receipt of the invoice.

SECTION VI **APPROVALS BY TENNESSEE REGULATORY AUTHORITY**

It is understood and agreed that this Agreement is conditioned on approval by the Tennessee Regulatory Authority ("TRA"). Promptly upon execution of this Agreement, Tennessee-American shall file an application for approval with the TRA and take such action in good faith as may be necessary to obtain the appropriate approval.

SECTION VII
TERM OF AGREEMENT

The term of this Agreement shall be for a period of three (3) years or thirty-six (36) monthly billing periods. The three (3) year period shall commence with the effective date of the purchase of water under this Agreement. The effective date of the commencement of sales under the terms of this Agreement shall be the beginning of the next regular monthly billing period following approval of this Agreement by the TRA.

SECTION VIII
FORCE MAJEURE

Neither Signal Mountain or Tennessee-American shall be liable for damages to the other for any act, omission, or circumstance occasioned by or in consequence of any strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, civil disturbances, explosions, breakage, or accident to machinery or lines of pipe, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. Failure to prevent or settle any strike or strikes shall not be considered to be a matter within the control of the party claiming suspension. Such causes or contingencies affecting such performance shall not relieve Signal Mountain from its obligations to make payment of amounts due hereunder. During the period of force majeure, the minimum annual charge shall be reduced by a ratio equal to the number of days of interruption divided by 365 days. If, during the period of force majeure some water can be delivered, then the ratio shall be multiplied by the percentage reduction in usage.

SECTION IX
RENEWAL OF AGREEMENT

This Agreement may be renegotiated for additional periods of time beyond the term of this Agreement. Negotiations to extend the term of this Agreement shall commence no later than six (6) months prior to the expiration date of this Agreement. However, the rates to be charged during any renewal period shall also be subject to prior approval by TRA.

SECTION X
MISCELLANEOUS PROVISIONS

(1) **Assignment**

Upon obtaining written approval from Tennessee-American which will not be unreasonably withheld, this Agreement may be assigned by Signal Mountain to any successor in the operation of the facilities currently owned by Signal Mountain.

(2) **Notices**

Any notice required or permitted to be given by one of the parties to this Agreement shall be given by U.S. mail, personal delivery or by overnight carrier to the other party at the address set forth below:

Town of Signal Mountain
1100 Ridgeway Avenue
Signal Mountain, TN 37377
Attn: Town Manager

Tennessee-American Water Company
1101 Broad Street
P. O. Box 6338
Chattanooga, Tennessee 37401
Attn: Vice-President and Manager

Any notice so given shall be deemed given upon its deposit in the U.S. mail, upon personal delivery or upon its delivery to the overnight carrier.

(3) **Governing Law**

This Agreement shall be governed by the laws of the State of Tennessee.


(4) **Enforceability**

In the event that any provision hereof is found to be invalid or unenforceable, such invalidity or unenforceability shall not impair or limit the validity or enforceability of any other provision hereof, each of which shall continue in full force and effect, and this Agreement shall be construed as if such invalid or unenforceable provisions were omitted from this Agreement.

(5) **Entire Agreement**

This Agreement constitutes the entire Agreement between Signal Mountain and Tennessee-American with respect to the subject matter contained in the Agreement, except that Signal Mountain is subject to the rules, regulations and other applicable conditions and provisions set forth in Tennessee-American's tariff on file with the TRA and as from time to time amended. This Agreement shall not be amended without the prior written consent of both parties. No modification of this Agreement or waiver of any of its terms and conditions will be effective unless set forth in a written document signed by both parties.

TOWN OF SIGNAL MOUNTAIN

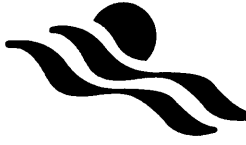
By: 
James H. Althaus

Its: Mayor _____

TENNESSEE-AMERICAN WATER COMPANY

By: 
Richard T. Sullivan

Its: Vice-President and Manager



Tennessee-American Water Company

P.O. Box 6338 • 1101 Broad Street • Chattanooga, TN 37401

William F. L'Ecuyer
President

(423) 755-9307
Fax (423) 755-7634
email: wlecuyer@amwater.com
<http://www.tawc.com>

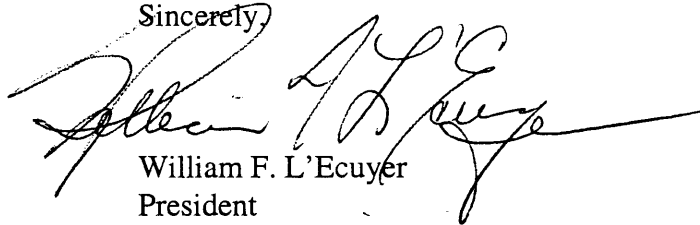
August 14, 2000

Mr. T. G. Pappas
Bass, Berry & Sims PLC
2700 First American Center
Nashville, TN 37238-2700

Dear Ted:

Enclosed is a signed copy of the Extension of Water Purchase Agreement between Tennessee-American Water Company and the Town of Signal Mountain. This agreement will extend for three years the same terms and conditions, including price and quantity, as the original agreement. Tennessee-American's Board of Directors approved the transaction at its meeting on July 25, 2000, subject to the approval of the TRA. We would appreciate your filing of this agreement with the TRA for approval as soon as possible.

Sincerely,



William F. L'Ecuyer
President

WFL/s
Enclosure

JAMES. H. ALTHAUS
Mayor

JOSEPH C. WAGNER
Town Attorney

HERSHEL DICK
Town Manager



ROBERT E. STEEL, JR.
Vice Mayor & Councilmember

OWEN C. LESLIE
Councilmember

R. BRENDAN OLIN
Councilmember

WILLIAM C. STEELE, JR.
Councilmember

Town of Signal Mountain

1111 RIDGEWAY AVENUE
SIGNAL MOUNTAIN, TENNESSEE 37377
423-886-2177

June 15, 2000

JUN 19 2000

Mr. William F. L'Ecuyer, President
Tennessee-American Water Company
P. O. Box 6338
1101 Broad Street
Chattanooga, TN 37401

Dear Mr. L'Ecuyer:

I am enclosing the signed copy of the new Signal Mountain/Tennessee American Water Company agreement per our earlier understanding.

Please execute a copy for our files.

Cordially yours,

THE TOWN OF SIGNAL MOUNTAIN

James H. Althaus
Mayor

JHA:jw
Enclosure